

Message Text

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C O N F I D E N T I A L SANTIAGO 6248

LIMDIS

EO 11652: GDS

TAGS: EAID, EFIN, CI

SUBJECT: AID PIPELINE

1. SUMMARY: GOC IS INTERESTED IN PROMPT DECISION ON RESUMPTION DISBURSEMENTS IN AID PIPELINE. I URGE EARLY REACTIVATION OF FULL \$9.1 MILLION OF OLD LOANS UNDER CONSIDERATION. END SUMMARY.

2. AFTER SEVERAL MONTHS OF PATIENT WAITING, AND HINTS (LIKE VISIT OF AID TEAM) THAT FAVORABLE DECISION WOULD BE FORTHCOMING, MINISTER OF ECONOMIC COORDINATION RAUL SAEZ ASKED EMBASSY THIS WEEK WHEN CHILE MIGHT EXPECT ACTION ON PROPOSAL TO REACTIVATE AID PIPELINE. WE TOLD HIM MATTER STILL UNDER REVIEW IN WASHINGTON.

3. I BELIEVE REACTIVATION OF FULL \$9.1 MILLION OF OLD LOANS UNDER CONSIDERATION IS IN US INTEREST ON ECONOMIC, POLITICAL AND ADMINISTRATIVE GROUNDS, AND URGE PROMPT DECISION TO THAT EFFECT.

4. IT IS MY UNDERSTANDING THAT CONSULTATIONS WITH THE CONGRESS INDICATE NO SIGNIFICANT OBJECTION THERE TO PIPELINE REACTIVATION. ALTHOUGH \$9.1 MILLION IS NOT A LARGE AMOUNT IN TERMS OF CHILE'S TOTAL EXTERNAL RESOURCE NEEDS, IT IS SIGNIFICANT IN TERMS OF IMMEDIATE ECONOMIC AND FINANCIAL PROBLEMS CONFRONTING GOC. GOVERNMENT'S ECONOMIC POLICY IS CURRENTLY JUST HITTING SOME
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ROUGH SPOTS, AND A TANGIBLE SIGN OF USG INTEREST AND ASSISTANCE

WOULD BE MOST USEFUL FROM BROADEST POINT OF VIEW.

5. WHILE I RECOGNIZE THAT EXTENSIONS OF DISBURSEMENT DATES CREATE CERTAIN ADMINISTRATIVE PROBLEMS, I THINK THERE IS NEVERTHELESS STRONG REASON TO SEE THROUGH TO COMPLETION OUR PAST DEVELOPMENT COMMITMENTS TO CHILE -- AND TO LET IT BE KNOWN THAT WE INTEND TO DELIVER ON THESE COMMITMENTS. SAN VICENTE PORT PROJECT IS THE MOST VISIBLE UNFINISHED PROJECT WE HAVE HERE, BUT OTHER PORTIONS OF \$9.1 MILLION PACKAGE ARE OF EQUAL INTEREST TO CHILE. IN ECONOMIC TERMS, ALL OF THEM ARE IMPORTANT.

6. FOR A VARIETY OF REASONS, WE HAVE NOT BEEN ABLE TO PROVIDE ECONOMIC ASSISTANCE FOR GOC'S RECONSTRUCTION EFFORTS AS QUICKLY OR IN AS LARGE AMOUNTS AS WE HAD HOPED EARLIER THIS YEAR. WE ARE STILL CONVINCED THAT PROGRESS IN ECONOMIC REHABILITATION IS LINKED WITH PROGRESS TOWARD RETURN TO A MORE NORMAL CHILEAN POLITICAL CLIMATE. OUR ASSISTANCE THROUGH SUCH STEPS AS REACTIVATION OF LOAN PACKAGE CAN HELP TO LESSEN GOC'S SENSE OF ISOLATION, TO MAINTAIN OUR OVERALL INFLUENCE WITH GOC, AND THUS, WE WOULD HOPE, TO CONTRIBUTE TO GENERAL RELAXATION. FOR GREATEST EFFECT, ENTIRE \$9.1 MILLION PACKAGE SHOULD BE APPROVED. WE SEE NO LOGICAL REASON FOR HALF-WAY STEPS ON WHAT IS AFTER ALL NOT IN ITSELF A VERY SIZEABLE COMMITMENT.
POPPER

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